

PUBLIC DISCLOSURE

February 2, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Tri-State Bank and Trust
Certificate Number: 27611

2111 Highway 80 East
Haughton, Louisiana 71037

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office

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Dallas, Texas 75201-3479

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Tri-State Bank and Trust, Haughton, Louisiana**, prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **February 2, 2015**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Substantial Noncompliance**.

Tri-State Bank and Trust (TSBT) received a "Needs to Improve" rating at the FDIC's previous evaluation dated February 13, 2013, and has continued to demonstrate a very poor record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The very poor performance predominately results from the low average, net loan-to-deposit ratio and materially low volume of lending. The bank's lending concentration inside the assessment area as well as the record of geographic dispersion of loans also negatively affected the bank's CRA performance. TSBT received no CRA-related complaints since the prior evaluation. The bank did not request consideration of its investments and services nor did examiners identify any evidence of discriminatory or other illegal credit practices; therefore, examiners did not consider these factors in the overall rating.

Pursuant to the CRA, examiners utilized Small Bank Performance Factors to evaluate TSBT. The analysis initially focused on the bank's loan-to-deposit ratio and lending concentration within the delineated assessment area. Once a bank demonstrates at least reasonable performance with these factors, examiners will then place more weight on the bank's loan distribution records within the assessment area, both geographically and based on borrower's profiles, when arriving at the CRA rating. The lending analysis focused on the bank's commercial and consumer lending activities.

TSBT demonstrated a very poor record regarding the lending analysis. The primary analysis of the loan-to-deposit (LTD) ratio and lending concentration inside the assessment area negatively impacted the other performance factors, including borrower profile and geographic distribution. The performance factors below were used to summarize the bank's lending performance and assign the evaluation rating, and are further detailed in the body of the evaluation.

- TSBT's average, net loan-to-deposit ratio of 13.3 percent is unreasonable within the context of the bank's resources and the assessment area's credit needs. A very poor record relative to the bank's overall level, the negative trend in originations since the prior evaluation, and the comparative level support this conclusion. Since the prior CRA performance evaluation, the bank continued to originate only a nominal volume of loans.
- For the lending concentration performance factor, the bank failed to originate a majority of loans inside its assessment area. Additionally, the percentage of lending within the assessment area declined since the prior evaluation. A substantial majority of small business loans, by both number and dollar volume, originated outside the institution's assessment area. Although the bank originated a majority of consumer loans, by both number and dollar volume, inside its assessment area, the percentage of consumer loans originated inside the assessment area also declined since the prior evaluation.
- TSBT established an excellent record regarding its borrower profile loan distribution. Excellent performance regarding the bank's lending to small businesses and consumer borrowers supports this conclusion. Given the low number of loans analyzed and the bank's overall very low level of lending, this performance factor did not carry much weight.

- The bank displayed poor performance regarding its geographic loan distribution. The very poor dispersion of small business loans outweighed the marginally reasonable dispersion of consumer loans to support this conclusion. The impact of the bank's performance for this factor was also diminished by the low number of loans analyzed and the bank's overall very low level of lending.

SCOPE OF EVALUATION

This evaluation covers the bank's performance from February 13, 2013, the date of the previous CRA evaluation, through February 2, 2015, the date of this evaluation. To evaluate performance, examiners applied CRA Small Bank performance factors: loan-to-deposit ratio, lending concentration inside the assessment area, borrower profile loan distribution, geographic loan distribution, and response to consumer complaints. Examiners performed full-scope procedures for the bank's one assessment area.

CRA Small Bank procedures require examiners to determine the bank's major product lines from which to sample, and as an initial matter, examiners may select from among the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans. CRA defines small business loans as loans with original amounts of \$1 million or less, either secured by nonfarm nonresidential properties or classified as commercial and industrial loans. The regulation also defines small farm loans as loans with original amounts of \$500,000 or less, either secured by farmland or classified as loans to finance agricultural production. The table below illustrates all loan originations, by number and dollar volume, for the period from February 13, 2013, through December 31, 2014.

Loans Originated or Purchased				
Loan Type	Dollar Amount \$(000)	Percent %	Number	Percent %
Construction and Land Development	1,800	37.8	13	25.0
Secured by Farmland	100	2.1	1	1.9
1-4 Family Residential	115	2.4	2	3.8
Multi-Family Residential	0	0.0	-	0.0
Commercial Real Estate	560	11.8	3	5.8
Total Real Estate	2,575	54.1	19	36.5
Agricultural Production	0	0.0	-	0.0
Commercial and Industrial	1,904	40.0	15	28.9
Consumer Purpose	282	5.9	18	34.6
Other Loans	0	0.0	-	0.0
Gross Loans	4,761	100.0	52	100.0

Source: Bank records (02/13/2013 – 12/31/2014).

The table indicates commercial lending represents the largest percentage of the bank's lending portfolio and the bank's primary lending focus, with 52 percent of the dollar volume and 35 percent of the number of originations. Consumer lending follows with 6 percent of the dollar volume and 35 percent of the number of originations. Home mortgage and agricultural lending comprise a small portion of origination activity, by number and dollar volume, for the period analyzed. Since neither home mortgage nor agricultural lending results would materially affect the conclusions or rating, this evaluation did not include an analysis of these products. Bank management considers commercial lending as the primary product and consumer lending as the secondary product. Based on the above factors and respective significance in the loan portfolio, examiners selected small business and consumer loans to assess the bank's performance under the CRA, with small business lending carrying more weight when arriving at applicable conclusions.

Small Business Loans

Of the total commercial loans originated during the period, 17 loans totaling \$2.4 million qualified as small business loans. Examiners used this universe in arriving at conclusions for the lending concentration test. One loan was misclassified as a commercial loan and should have been reported as a 1-4 family residential loan. For the geographic distribution and borrower profile analysis, examiners reviewed the 7 small business loans originated in the assessment area totaling \$718,403.

Consumer Loans

Tri-State Bank and Trust originated 18 consumer loans totaling \$282,000 in the period noted above. Examiners analyzed all consumer loans in arriving at conclusions for the lending concentration test. Examiners reviewed the 11 consumer loans originated in the assessment area totaling \$159,969 for the borrower profile and geographic loan distribution analysis.

DESCRIPTION OF INSTITUTION

Background and Operations

Located in Bossier Parish, TSBT is headquartered in Haughton, Louisiana. TSBT is a locally owned, full-service, community bank operating as a subsidiary of Tri-State Bancshares, Inc., a one-bank holding company formed on December 31, 2000. In addition to the main banking facility located in Haughton, Louisiana, a full-service branch is located in Shreveport, Louisiana in Caddo Parish. Both Bossier and Caddo Parishes are part of the Shreveport-Bossier City, Louisiana Metropolitan Statistical Area (Shreveport-Bossier City MSA). The bank did not open or close any branches since the prior evaluation nor did the bank participate in any merger or acquisition activity.

In addition to various loan and deposit products, the institution offers an automated teller machine (ATM) at the main office and drive-thru facilities at both locations. Lobby hours are Monday through Friday from 9:00 a.m. to 3:00 p.m. with extended hours until 5:00 p.m. on Friday. Drive-thru facilities operate between 8:00 a.m. and 5:00 p.m. Monday through Friday, with hours extended until 6:00 p.m. on Monday and Friday. The bank has positioned itself to cater to established clientele as it does not advertise or market the bank's name or products. The bank does not offer a web-site, on-line products or telephone banking services. Although the bank offers reasonable business hours, the current services are not conducive to attracting new customers.

Ability and Capacity

As of the December 31, 2014, Report of Condition and Income, the bank reported total assets of \$31.7 million, total loans of \$2.9 million, and total deposits of \$26.7 million. The bank experienced fluctuating growth since the previous evaluation, with an overall net decrease in total assets of approximately 2.6 percent, or \$844,000, and total deposits of 2.8 percent or \$769,000. In contrast, total loans increased by 8.1 percent or \$219,000 during this period. Despite the growth, bank exhibits a declining trend in loan originations. Comparing loan originations from the prior evaluation to the current evaluation, examiners estimated the bank originated an average of 4 loans per month from January to December 2012 (12 month period); whereas, originations decreased significantly to 2.4 loans per month from February 2013 to December 2014 (22 month period).

In addition, the bank reported a Return on Assets of .65 percent and a Tier One Leverage Capital Ratio of 14.4 percent. The following tables illustrate the composition of the bank's assets as of December 31, 2014. As illustrated, securities represent the largest portion of the asset mix at approximately 75 percent.

Asset Distribution		
Asset Category	Dollar Amount \$(000)	Percent of Total Assets (%)
Cash	1,353	4.3
Securities	23,695	74.8
Federal Funds Sold	0	0.0
Net Loans & Leases	2,932	9.3
Premises & Fixed Assets	481	1.5
Other Real Estate Owned	239	0.7
Intangible Assets	0	0.0
Other Assets	2,966	9.4
Total Assets	31,666	100.0

Source: Report of Condition and Income (12/31/2014).

No significant changes occurred in the bank's business strategy or ownership since the previous evaluation. Bank has no affiliate relationships. As shown in the following table, the bank's loan portfolio is diversified, with commercial loans comprising the largest loan category.

Loan Distribution		
Loan Type	Dollar Amount \$(000)	Percent of Gross Loans (%)
Construction and Land Development	751	24.1
Secured by Farmland	91	2.9
1-4 Family Residential	151	4.8
Multi-Family Residential	0	0.0
Commercial Real Estate	197	6.3
Total Real Estate	1,190	38.1
Agricultural Production	0	0.0
Commercial and Industrial	1,499	48.1
Consumer Purpose	431	13.8
Other Loans	0	0.0
Gross Loans	3,120	100.0

Source: Report of Condition and Income (12/31/2014).

TSBT received a "Needs to Improve" rating at its previous CRA evaluation conducted on February 13, 2013. Based on the information discussed in this section, the institution's financial condition, size, product offerings, prior performance, and lack of legal or financial impediments did not affect or prohibit the institution from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act requires financial institutions to define specific assessment areas within which the bank will concentrate its lending efforts. The Federal Deposit Insurance Corporation evaluates an institution's CRA performance based upon lending activity within the institution's defined assessment area.

Branch Locations

As stated previously, in addition to the main banking facility located in Haughton, Louisiana, bank operates one full-service branch in Shreveport, Louisiana. The following table lists these offices along with 2010 U.S. Census information.

Office Locations TSBT Assessment Area				
Parish/Office Name	Office Type	CT Number	CT Income Level	Office Opened or Closed Since Prior Evaluation
Bossier Parish: Haughton	Main Office	111.05	Upper	No
Caddo Parish: Shreveport	Branch	228.00	Upper	No

Source: 2010 U.S. Census; Bank Records

Assessment Area Details

TSBT's designated assessment area includes 23 census tracts located in Bossier and Caddo Parishes. This includes sixteen census tracts in Bossier Parish and seven census tracts in Caddo Parish, both areas are part of the Shreveport-Bossier City MSA. One census tract from Bossier Parish shares its boundary with a census tract from the Caddo Parish; therefore, examiners considered the assessment area as contiguous. According to the 2010 census, there are three moderate-income census tracts, eight middle-income census tracts, and twelve upper-income census tracts located in the assessment area. No census tracts are designated low-income levels. Table below illustrates the number of census tracts, income levels, and population.

Distribution of Census Tracts by Income Level			
Tract Income Level	Number of Tracts	% of Tracts	% of Population
Low	0	0.0	0.0
Moderate	3	13.0	10.7
Middle	8	34.8	27.6
Upper	12	52.2	61.7
Total	23	100.0	100.0

Source: 2010 Census

Although the institution's designated assessment area did not change from the previous evaluation, one census tract in Bossier Parish changed from middle-income at the prior evaluation to upper-income at this evaluation (tract 108.04). With the release of the updated 2010 U.S. Census demographic data in 2014, the Shreveport-Bossier City MSA expanded to include Webster Parish. This shift necessitated an

update to the demographic data resulting in new calculations for census tract median family income values in the Shreveport-Bossier City MSA.

TSBT's designated assessment area meets the technical requirements of the CRA and does not arbitrarily exclude any low- and moderate-income areas.

Demographic Data

Business demographic data provided by D&B, a commercial provider of economic and demographic information, reflects 14,117 businesses in the assessment area. Of these, 98 percent are non-farms and two percent are farms. Service and retail establishments account for approximately 44 percent of total businesses. Businesses are predominately small in nature, with approximately 90 percent employing less than ten people and 93 percent of the businesses operating from a single location. The following table presents selected demographic and housing data.

Population, Business & Housing Demographics	
Total Population	119,884
<u>Number of Non-Farm Businesses in Assessment Area</u>	14,117
<u>Percentage of Non-Farm Businesses by Revenue</u>	
Revenue \$1MM or Less	55.6%
Revenue Greater than \$1MM	2.3%
Revenue not Reported	42.1%
<u>Percentage of Total Housing Units</u>	
1-4 Family Residential	73.6%
Multi-Family	12.6%
Mobile Home or Trailer	13.8%
Owner-Occupied Housing Units	65.1%
Occupied Rental Housing Units	26.4%
Vacant Housing Units	8.5%
<u>Median Housing Characteristics</u>	
Median Age	32
Median Home Value	\$140,801
Median Gross Rent	\$750

Source: 2010 U.S. Census; 2014 D&B Data

Economic Data

Barksdale Air Force Base, State of Louisiana-Department of Civil Service, Louisiana State University Health Sciences Center-Shreveport, Willis Knighton Health System, Caddo and Bossier Parish School Boards, and the City of Shreveport are the major employers in the Shreveport-Bossier MSA. A number of other workers in the MSA are employed by casinos and hotels, restaurants, healthcare, education, government, retail, and the oil and gas industry.

According to Moody's Analytics, "Shreveport-Bossier City's recovery has stabilized but remains lackluster relative to its in-state peers. Despite its position along the Haynesville Shale, the metro area has yet to replicate the dynamic growth seen in southern Louisiana. Gains have been concentrated in construction and tourism and, to a lesser extent, durables manufacturing. Yet, mirroring the trend in other Louisiana metro areas, contraction in state government has offset private sector growth. The unemployment rate has risen as a result of labor force expansion as well as increased layoffs. Weakness

exists beyond the labor market. Residential construction is rising, but the increase appears suspect given the moribund pace of house price appreciation and steady out-migration.”

According to the FFIEC, 2014 median family income for the Shreveport-Bossier City MSA is \$55,600. Of the 45,016 households in the assessment area, 21 percent are retired and 25 percent receive social security according to the U.S. Census. Ten percent of households in the assessment area live below the poverty level which reflects a much lower rate than both the Shreveport-Bossier City MSA at 17.5 percent and the state of Louisiana at 17.4 percent.

Per the Bureau of Labor Statistics, the unemployment rate in Shreveport-Bossier City MSA has risen from 5.1 percent in March, 2014 to 6.6 percent in December, 2014. The Shreveport-Bossier MSA unemployment rate reflects a higher rate than the state of Louisiana at 6.1 percent and the national unemployment rate of 5.5 percent as of December, 2014.

Overall, the economy experienced a slight decline, but currently reflects stable condition.

Community Contacts

Two business-related contacts in the Shreveport-Bossier City MSA provided information relevant to this evaluation, including insight into local economic conditions and credit needs for the area. A contact serving the Caddo and Bossier Parishes described the economy as healthy but indicated that if oil and gas prices remain low, the economy will be adversely affected. The contact indicated the primary credit need in Shreveport and Bossier City are small dollar personal consumer loans with low interest rates. A second contact serving Bossier Parish described the economy as doing well but identified small business loans as a credit need in Bossier Parish.

Credit Needs and Opportunities

Consistent with other metropolitan areas, the bank’s assessment area created varied loan demand for commercial, residential real estate, agricultural, and consumer loans. Considering information obtained from the community contact, bank management, and demographic information, examiners ascertained that the primary community credit needs include small business, residential, and consumer loans.

Competition

Other banks, credit unions, and mortgage companies operate in the assessment area and offer all types of loans, creating a competitive environment. According to FDIC’s Summary of Deposits as of June 30, 2014, TSBT holds a .36 percent market share of deposits; ranking 23rd out of 28 FDIC insured institutions competing in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Format

This evaluation presents detailed discussions below regarding the bank's achievements as a whole for the Lending Test factors. The Interstate Branching and Banking Efficiency Act ("IBBEA") requires separate conclusions for each MSA where a bank operates a branch. Given that both of the bank's offices are located within the Shreveport-Bossier City MSA, one overall conclusion is presented.

For the CRA Small Bank Lending Test, typically, once a bank demonstrates at least some level of satisfactory performance regarding its loan-to-deposit ratio and its lending concentration, examiners will then place more weight on the bank's borrower profile and geographic loan distributions when arriving at the overall conclusion. Appendix B lists the Lending Test's criteria.

Overall Lending Test Conclusion

TSBT demonstrated an overall very poor record of helping to meet the credit needs of its assessment area. The bank's poor performance is predominantly the result of the low average, net loan-to-deposit ratio and materially low volume of lending, as discussed below. Performance was also negatively affected by the bank's lending concentration and geographic dispersion of loans. When arriving at the overall ratings for the geographic distribution and borrower profile analysis, examiners placed more weight on small business lending.

Loan-To-Deposit Ratio

TSBT demonstrated an unreasonable record regarding its average net loan-to-deposit (NLTD) ratio which principally contributed to the bank's very poor overall lending performance. A very poor record regarding the ratio's overall level and a very poor record relative to comparable banks supports this conclusion. Examiners considered the institution's size, business strategy, and lending capacity relative to the assessment area's credit needs when arriving at this conclusion.

For this performance factor, examiners evaluate the average NLTD ratio. The average NLTD ratio measures a bank's lending activity by comparing it to the volume of deposits held over a period of time. The ratio is determined by averaging quarterly NLTD ratios since the prior evaluation. The average NLTD ratio is then compared to ratios of similarly situated banks.

Overall Level

The overall level of the bank's average NLTD reflected a very poor performance. For the eight calendar quarters since the previous evaluation, the bank recorded a 13.3 percent average, NLTD ratio. The bank's ratio demonstrated a varying trend over the period, and ranged from a high of 15.9 percent on March 31, 2014, to a low of 9.9 percent on March 31, 2013.

An analysis of the bank's deposit base revealed the institution has several large personal and corporate depositors with limited borrowing needs. Examiners noted that one customer deposited over \$4 million during the third quarter of 2014, which contributed to a decline in the loan-to-deposit ratio. Additionally, two borrowers paid-off loans in excess of \$100,000 each on the last day of the year.

The pronounced lower level of lending is evident in loan originations. Reviewing loan originations from the prior evaluation to the current evaluation, examiners estimated the bank originated an average of 4 loans per month from January to December 2012 (12 month period); whereas, originations decreased significantly to 2.4 loans per month from February 2013 to December 2014 (22 month period).

The following table demonstrates an upward and then a downward trend of the bank's loan-to-deposit ratio since the previous evaluation as well as the gradual corresponding increase and decrease in loans for the same time frame. The bank's ratio continues to show an overall low level of lending.

Tri-State Bank and Trust Loan to Deposit Ratios				
Quarter End	LTD Ratio (%)	Total Deposits \$(000)	Net Loans \$(000)	Total Assets \$(000)
3/31/2013	9.9	27,456	2,713	32,510
6/30/2013	14.1	26,145	3,674	31,200
9/30/2013	14.9	25,811	3,837	30,982
12/31/2013	14.9	27,785	4,148	32,792
3/31/2014	15.9	28,618	4,536	33,673
6/30/2014	14.7	27,566	4,044	32,922
9/30/2014	11.4	31,169	3,538	36,843
12/31/2014	10.9	26,687	2,932	31,666
Average, NLTD Ratio				
	13.3%			

Source: Reports of Condition and Income through 12/31/2014

Comparative Level

The bank's ratio relative to those from other institutions used for comparison purposes reflected very poor performance when considering the factors discussed above for the bank. Although not located within the same assessment area as TSBT, examiners identified and listed in the following table comparable institutions that reflect similar asset size and substantially similar loan type emphasis to TSBT. The bank's average NLTD ratio was also compared to Uniform Bank Performance Report (UBPR) peer bank data for Louisiana. The bank's peer group, as defined by the UBPR, consists of insured commercial banks within the State of Louisiana having assets less than \$100 million, with two or fewer full service banking offices.

As seen in the following table, the subject bank's ratio significantly trails the other listed ratios. The bank's December 31, 2014, average NLTD ratio of 13.3 percent reflects a substantially lower ratio than the comparable banks as well as the peer average of 58 percent.

Loan-to-Deposit Ratio Comparison		
Bank Name, Parish, and Location	Total Assets \$(000)	Average, Net LTD Ratio (%)
Tri-State Bank and Trust, Bossier Parish, Haughton, LA	31,666	13.3
Comparable Banks		
Commerce Community Bank, West Carroll Parish, Oak Grove, LA	54,245	55.5
Peoples Bank, Jackson Parish, Chatham, LA	45,260	94.9
Sicily Island State Bank, Catahoula Parish, Sicily Island, LA	47,359	96.6
The Mer Rouge State Bank, Morehouse Parish, Mer Rouge, LA	44,126	52.9
Peer Group – Less than \$100M, State of Louisiana	NA	57.6

Source: Reports of Condition and Income through 12/31/2014

Other Factors

Home Mortgage Disclosure Act (HMDA) aggregate peer mortgage data reports indicate 7,809 mortgage loans (1-4 family, manufactured housing, and multifamily) originated in the bank's assessment area in 2013, thereby reflecting a continued demand for mortgage lending. Furthermore, the bank's limited lending staff contributed to the very poor performance. Since the departure of the loan officer at the main office in third quarter 2014, who has not yet been replaced, the bank's chairman/president remains the sole officer to originate loans in Haughton. Despite offering loan products at both offices, bank maintains no loan officer in the Shreveport branch.

Consequently, given the performance for all measures considered, the bank exhibited an unreasonable record regarding this performance factor.

Lending Concentration

TSBT's record of loan origination inside its assessment area declined since the prior evaluation. As a result, the bank failed to originate a majority of credit inside its assessment area which negatively affected the bank's lending performance. Also, since the prior CRA performance evaluation, the bank continued to originate only a nominal volume of loans.

This factor considered all small business and consumer loans originated between February 13, 2013, and December 13, 2014. Examiners considered the bank's size, office structure and loan products relative to the size of the assessment area when arriving at this conclusion.

Small Business Lending

The bank's record of originating small business loans inside the assessment area declined since the prior CRA evaluation, particularly by dollar volume. The bank originated a substantial majority of small business loans, by both number and dollar volume, outside the institution's assessment area during the current evaluation (59 percent, by number, and 70 percent, by dollar volume). At the prior evaluation, small business lending outside the assessment area accounted for 54 percent of the number and 43 percent of the dollar volume of credit extended. Thus, a worsening trend is apparent in the bank's primary lending focus.

Consumer Lending

Although the bank continues to originate a majority of its consumer loans inside its assessment area, consumer lending inside the assessment also declined since the prior CRA evaluation. Consumer lending accounted for 78 percent of the number and 59 percent of the dollar volume of loans inside the assessment area at the prior evaluation compared to 61 percent, by number, and 57 percent, by dollar volume, at the current evaluation. The following table illustrates the distribution of small business and consumer loans originated both inside and outside the institution's assessment area.

Lending Concentration										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000)				
	Inside		Outside		Total	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Small Business	7	41	10	59	17	718	30	1,676	70	2,394
Consumer	11	61	7	39	18	160	57	122	43	282

Source: Bank Records (12/31/2014)

Borrower Profile Loan Distribution

TSBT displayed excellent performance regarding its distribution of loans based on borrower income levels and business revenues. Excellent performance regarding the bank's lending to small businesses and consumer borrowers supports this conclusion. As indicated previously, the impact of the bank's performance is diminished by the low universe of loans analyzed and the bank's overall very low level of lending.

This performance factor only considered loans originated inside the bank's assessment area. For classification purposes, examiners used gross annual revenues for small businesses and borrower incomes for consumer loans. Small business loans were weighted more heavily when arriving at conclusions for this performance factor.

Small Business Loans

TSBT's record of lending to small businesses of different sizes reflects excellent performance. Examiners compared the bank's lending to the percentage of businesses in each revenue category, with emphasis on the percentage of loans by number to entities reporting gross annual revenues of \$1 million or less. Examiners focused on the bank's percentage of the number of loans made to businesses relative to D&B data when arriving at this conclusion.

Examiners noted the bank demonstrated an excellent level of lending to small businesses with gross annual revenues of \$1 million or less, by number, volume. As shown in the following table, the bank originated 8.57 or almost 9 of every 10 loans to borrowers with GARs of \$1 million or less, thereby reflecting excellent performance. The bank's originations exceed the 55.6 percentage of businesses reporting GARs of \$1 million or less; however, given the large percentage of businesses that did not report revenues (42 percent), examiners did not consider the D&B revenue data as a wholly reliable source for a meaningful comparison.

Consequently, focusing more weight on the overall level of its percentages, the institution achieved an excellent record regarding its borrower profile loan distribution of small business lending

Borrower Profile Loan Distribution Small Business Loans –TSBT					
Gross Annual Revenues \$(000)	Distribution of Businesses (% of #)	Bank's Small Business Loans			
		#	%	\$(000)	%
\$0 < \$100	24.0	5	71.4	336	46.8
\$100 < \$250	24.4	0	0.0	0	0.0
\$250 < \$500	4.7	1	14.3	32	4.5
\$500 ≤ \$1,000	2.5	0	0.0	0	0.0
Subtotal ≤ \$1,000	55.6	6	85.7	368	51.3
> \$1,000	2.3	1	14.3	350	48.7
Revenues Not Known	42.1	0	0.0	0	0.0
Total	100.0	7	100.0	718	100.0

Source: 2014 D&B Data; Bank Records

Consumer Loans

TSBT demonstrated an excellent record of dispersing consumer loans to borrowers of varying income levels. The excellent penetration of lending to low- and moderate-income borrowers supports this conclusion. Examiners focused on the bank's percentage of the number of loans made to low- and moderate-income borrowers relative to the demographics when arriving at this conclusion.

For consumer lending, examiners determine performance through a stratification of the loans based on borrower income levels utilizing the current estimated median family income (MFI) for the year. Classification of income level relies upon the definitions utilized by the U.S. Census and the FFIEC. Listed in the following table are the borrower income levels for the Shreveport-Bossier City MSA.

Borrower Profile Family Income Designations Shreveport-Bossier City MSA (MFI \$55,600)		
Income Level	Percentage of MFI	Income Range
Low	Less than 50%	Less than \$27,800
Moderate	50% to less than 80%	\$27,800 to less than \$44,480
Middle	80% to less than 120%	\$44,480 to less than \$66,720
Upper	120% and over	\$66,720 and over

Source: 2014 FFIEC MFI.

TSBT's lending to low-income borrowers by number (27.3 percent) significantly exceeded demographics of the assessment area (15.9 percent), reflecting excellent penetration among low-income individuals. The bank's lending to moderate-income individuals also reflected excellent penetration, whereby the bank originated twice the percentage number of loans as compared to household demographics (27.3 percent versus 12.9 percent). The four loans classified in the table as NA were loans where consumer income was not considered in making the loans.

However, after considering the small number of total loans analyzed and the bank's overall very low level of lending, examiners did not place much weight on the bank's performance for this factor.

Borrower Profile Loan Distribution Consumer Loans – TSBT					
Borrower Income Level	Households (%)	Bank's Consumer Loans			
		#	%	\$(000)	%
Low	15.9	3	27.3	44	27.6
Moderate	12.9	3	27.3	73	45.5
Middle	16.2	1	9.1	6	3.8
Upper	55.0	0	0.0	0	0.0
NA	0	4	36.3	37	23.1
Total	100.0	11	100.0	160	100.0

Source: 2010 U.S. Census; Bank Records

Geographic Loan Distribution

The bank demonstrated a poor record of geographically distributing its loans throughout the assessment area which negatively affected the bank's lending performance. The very poor level of small business lending outweighed the marginally reasonable level of consumer lending to support this conclusion. This factor only considered loans originated within the bank's designated assessment area. As previously stated, the impact of the bank's performance was further diminished by the low amount of loans analyzed and the bank's overall low level of lending.

Small Business Lending

The institution demonstrated a very poor record of geographically distributing its small business loans throughout the delineated assessment area. This test focused on small business loans made in moderate-income census tracts and compared it to the percentage of businesses by tract level according to D&B data. As noted earlier, the bank's assessment area did not contain any low-income census tracts.

The following table illustrates the geographic distribution of the bank's small business loans originated in the assessment area. The bank originated 100 percent of their small business loans in upper-income geographies in the assessment area. This distribution compares unfavorably to D&B data which reflects that only 59 percent of businesses are located in upper-income census tracts. No small business loans were made to borrowers in moderate or middle-income census tracts although 15 percent of businesses are located in moderate-income tracts and 26 percent in middle-income tracts according to D&B demographic data. Overall, the distribution of the bank's small business loans among the various geographies in the assessment area demonstrated very poor performance. As stated previously, examiners did not place much weight on this comparison due to the small number of loans originated and the overall very low level of lending activity.

Geographic Loan Distribution Small Business Loans – TSBT					
Tract Income Level	Distribution of Businesses (% of #)	Bank's Small Business Loans			
		#	%	\$(000)	%
Moderate	14.8	0	0.0	0	0.0
Middle	26.0	0	0.0	0	0.0
Upper	59.2	7	100.0	718	100.0
Total	100.0	7	100.0	718	100.0

Source: 2014 D&B Data; Bank Records

Consumer Loans

The institution displayed a marginally reasonable record of geographically distributing its consumer loans throughout the assessment area. The analysis focused on the bank's consumer lending in moderate-income census tracts in the assessment area. As noted previously, the bank's assessment area did not contain any low-income census tracts.

As shown in the following table, the bank originated all loans in middle- or upper-income census tracts. The lack of lending in moderate-income tracts indicates poor performance and the record of lending in middle-income tracts reflects reasonable performance. However, a few mitigating factors were considered. The proximity of the bank's locations is over two miles from the closest moderate-income census tract boundaries, with other financial institutions located closer. Historical information reflects that consumer loans typically originate in and around a bank's office or branch location. After considering these factors, the geographic distribution of consumer loans was considered marginally reasonable. As stated previously, examiners did not place much weight on this performance factor due to the small number of loans originated and the overall very low level of lending activity.

Geographic Loan Distribution Consumer Loans – TSBT					
Tract Income Level	Households (%)	Bank's Consumer Loans			
		#	%	\$(000)	%
Moderate	10.1	0	0.0	0	0.0
Middle	29.3	3	27.3	64	40.0
Upper	60.6	8	72.7	96	60.0
Total	100.0	11	100.0	160	100.0

Source: 2010 U.S. Census; Bank Records

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this performance factor did not affect the bank's performance evaluation.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs; therefore, this consideration did not affect the overall rating.

GLOSSARY**Geography Terms**

Assessment Area: A geographic area delineated by the bank in accordance with the requirements of the Community Reinvestment Act.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Metropolitan Area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

Housing Terms

Affordable Housing: The cost of housing, either by monthly rent or monthly principal and interest payments, that is less than or equal to 32 percent of the upper limit of moderate-income for the area on a gross monthly basis.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Income Terms

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

FFIEC-Adjusted Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Loan Terms

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Other Products: Includes any unreported optional loan category for which the institution collects and maintains data for consideration during a CRA evaluation. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Other Terms

Community Development: For loans, investments, and services to qualify for consideration as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties located in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

D&B (Dun & Bradstreet): A leading provider of business information for credit, marketing, and purchasing decisions in the U.S. and worldwide.

Full-Scope Review: Performance under the applicable tests is analyzed considering performance context, quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Limited-Scope Review: Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test for CRA Small Banks evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).